



Memorandum

TO: CITY COUNCIL

FROM: Mayor Chuck Reed
Councilmember Sam Liccardo

SUBJECT: SEE BELOW

DATE: March 16, 2012

APPROVED: *Chuck Reed* *Sam Liccardo* 3/16/12

SUBJECT: ORDINANCE AMENDING CHAPTER 20.70 TO STREAMLINE THE PERMIT PROCESS FOR THE OPERATION OF OFFICE AND FINANCIAL SERVICES USES IN THE DOWNTOWN AREA.

RECOMMENDATIONS:

Approve staff recommendations, but with the following additional requirements:

- 1) Eligibility for exemption of the special use permit requirement are limited to those sites that were vacant as of January 1, 2012;
- 2) The ordinance must return to the CED Committee for review within 12 months after its enactment, to assess the impact of the ordinance on the 17% vacancy rate on ground floor spaces in the DG Overlay Area, and to explicitly determine whether to return the ordinance to Council for revision.

BACKGROUND

We are grateful for the Planning Staff's efforts to streamline the process to enable tech companies, banks, law firms, and other office tenants to occupy long-vacant ground-floor space in the Downtown. We continue to hear increased interest in the ground-floor sites from office tenants, at a time when we face 17% vacancy in ground-floor spaces in the DG Overlay Area. Last year, our flexibility to allow innovative concepts like NextSpace and Tech Shop into ground-floor uses have enabled the Downtown to raise its profile as a location for creative entrepreneurs, and we'll continue to leverage Downtown's assets, like the nation's fastest public wi-fi network and the Valley's best transit access, to further position San José as Silicon Valley's urban center.

We remain concerned about the impact of reducing the City's restrictions on ground-floor uses on existing small business owners in those spaces, as their landlords see the opportunity to boost rents for office tenants. To maintain our current stock of restaurants and retail, we need to ensure that this change in policy does not drive them out.

Fortunately, our Downtown Association has already prepared a survey of existing ground-floor uses, and we can rely upon that survey to provide a baseline for the impact of this policy. By limiting eligibility for exemption to the SUP to those sites that have remained vacant since January, we can ensure that current tenants will not be adversely affected. Our thanks to the San José Downtown Association for their work in preparing the survey.

Downtown Ground Floor Space Areas	Total Spaces	Total Vacancies	Vacant Corners	*Net Vacancies	Notes
Both sides of Santa Clara Street between San Pedro Street and Second Street	32	6	2	4	Vacancies: 142 W. Santa Clara, Market and Santa Clara streets: 84 W. Santa Clara, 35 & 49 E. Santa Clara, 30 E. San Fernando Suite 120
Both sides of Fountain Alley, between First Street and Second Street	5	0	0	0	
Both sides of Post Street, between Lightston Street and First Street	16	2	0	2	Vacancies: 20 and 25 Post Street
Both sides of San Fernando Street, between Market Street and Fourth Street	16	1	1	0	Vacancies: 100 E. San Fernando Street
Both sides of Park Avenue from Market Street, continuing westerly for 500 feet	8	2	1	1	Vacancies: 179 Park Avenue, 220 Almaden Blvd
Both sides of Paseo de San Antonio, between Market Street and Fourth Street	27	5	1	4	Vacancies: 110, 22, 118, 170 S. Market Suite 150 and 120 (corner)
Both sides of San Carlos Street, between Market Street and Fourth Street	14	0	0	0	
Both sides of San Pedro Street, between St. John Street and Santa Clara Street	15	1	1	0	Vacancies: 151 W. Santa Clara + includes stores open in SFSMarket
Both sides of Market Street between San Fernando and San Carlos street	9	2	0	2	Vacancies: 125 S. Market Suite 110/120
Both sides of First Street, between Santa Clara Street and San Carlos Street	39	6	0	6	Vacancies: 66, 78, 204, 206, 150 S. First Street Suite 103, 310 S. First St.
Both sides of Second Street, between Santa Clara and San Carlos Street	21	8	0	8	Vacancies: ?, 3, 14, 18, 40 (divisible), 56, 72 & 84
East side of Third Street, from four hundred sixty-three feet north of San Fernando Street to the north side of San Fernando Street	2	0	0	0	
Both sides of Third Street, from San Fernando Street to 270 feet South of San Fernando Street	2	1	0	1	The 88, parking, apartment buildings
Both sides of Fourth Street, from 468 feet north of San Fernando Street to the north side of San Fernando street	5	2	0	2	Vacancies: City windows gallery, suite 100 next to San Jose Credit Union
West side of Fourth Street, from the south side of San Fernando Street to 270 feet south of San Fernando Street	1	0	0	0	Paseo Village County Federal Credit Union
	212	36	6	30	
		0.169311		0.141509	
*Net vacancies excludes corners					